

CAUSE NO. 2001-61352

BAYLOR COLLEGE OF MEDICINE and
BCM TECHNOLOGIES, INC.,

Plaintiffs,

v.

CLONTECH LABS, INC.,

Defendant.

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IN THE DISTRICT COURT

HARRIS COUNTY, TEXAS

133RD JUDICIAL DISTRICT

PLAINTIFFS' FIRST AMENDED PETITION

Plaintiffs Baylor College of Medicine ("*Baylor*") and BCM Technologies, Inc. ("*BCMT*") complain of defendant Clontech Labs, Inc. ("*Clontech*") as follows:

PARTIES

1. Plaintiff Baylor is a nonprofit corporation organized and existing under the laws of the State of Texas having a principal place of business at Baylor Plaza, Houston, Texas 77030. Plaintiff BCMT is a Delaware corporation that maintains its principal place of business at 1709 Dryden Road, Suite 900, Houston, Texas 77030. BCMT is a wholly-owned subsidiary of Baylor responsible for licensing Baylor's technology.

2. Defendant Clontech is a Delaware corporation having its principal place of business at 1020 E. Meadow Circle, Palo Alto, California 94303. It has already entered an appearance and therefore may be served through its counsel of record in the manner indicated below.

JURISDICTION AND VENUE

3. This Court has subject matter jurisdiction in that more than the minimum jurisdictional amount is in controversy. Personal jurisdiction is proper as defendant Clontech is doing business within Texas, purposely directed tortious activity at Texas that caused harm in

Texas, and entered into a contract with Texas residents requiring performance in whole or in part in this State.

4. Venue is proper in that this action centers on (i) contracts that were entered into in Harris County, Texas, which were performable, at least in part, in the County and (ii) torts that were committed, in whole or in part, in Harris County, Texas.

PLAINTIFF BAYLOR

5. Baylor College of Medicine has earned a reputation as one of the leading medical universities. Baylor attracts students from around the world and is home to 668 medical students, 399 graduate students, 255 postdoctoral fellows, 125 allied health students, and 962 resident physicians pursuing specialty training. In conjunction with its training and schooling, Baylor offers patient care services through several of its Texas Medical Center affiliate hospitals, providing more than 131,000 inpatient visits and nearly 2 million outpatient visits annually.

6. In the past fiscal year, Baylor was ranked number one among universities and colleges in total and federally financed research and development expenditures in the biological sciences at and thirteenth in National Institute of Health funding to medical schools. The college, with total research support of \$310 million, has more than 70 research and patient-care centers. The only private medical school in the Greater Southwest, Baylor is among the top 20 of the 125 U.S. medical schools in federal research funding.

7. Over the years, Baylor has expended considerable sums of money on research and development in subcloning of nucleic acid sequences at its Houston facilities in an effort to discover, improve and commercialize products related to identifying the functions of genes. As a result of its development efforts in the field of genomic research, Steve Elledge developed novel compositions and methods for rapid subcloning of DNA which provided a very quick and simple

system of identifying genes ("*the Elledge technology*"). In 1997 Baylor applied for a patent covering some of the Elledge technology. The patent was assigned to Baylor and ultimately issued December 22, 1998 as U.S. Patent 5,851,808 ("*the '808 patent*").

8. Just prior to the '808 patent issuing, Elledge published an article disclosing some of the Elledge technology on November 19, 1998. Prior to this publication, the Elledge technology was kept confidential by Baylor as trade secrets, and was not known to either the public or the industries in which it might be exploited.

LICENSING THE ELLEDGE TECHNOLOGY

9. In April of 1998, Baylor entered into licensing negotiations with Clontech over the Elledge technology. As part of those negotiations, it was necessary for Baylor to transfer various trade secrets, information, and material to Clontech. Before this was done, Clontech signed a Confidential Disclosure Agreement with BCMT and a Material Transfer Agreement with Baylor. Subsequent to these two contracts, Baylor disclosed the Elledge technology to Clontech including the then pending patent application covering part of the technology, and allowed them free communication with Dr. Elledge. Approximately two weeks after the agreements were signed the Elledge technology materials were sent to Clontech including:

- (1) a uni-vector plasmid (pUNI10);
- (2) a recipient plasmid (e.g.: pHB2-Gst, a bacterial Gst fusion plasmid with a lox site);
- (3) a recombinase expression plasmid (e.g.: pQLI23, the Gst-cre expression plasmid); and
- (4) the cell lines for conducting the studies (BUN13 and BUN15)

The listed information and materials, together with all other information and materials furnished to Clontech shall hereafter be referred to as the "*Elledge trade secrets*".

10. Under the terms of the Confidential Disclosure Agreement and Material Transfer Agreement, Clontech agreed not to disclose any of the Elledge trade secrets, including the

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Elledge technology, unless such information became publicly available, and to use the materials only to evaluate the technology. Clontech also agreed that all rights to any technology developed via use of the Elledge trade secrets belonged to Baylor. Specific key provisions of the Confidential Disclosure Agreement include:

- (1) Clontech may only use the confidential information for the "sole purpose of evaluating the scientific and technical merit and commercial potential thereof." [¶ 1]
- (2) Clontech acknowledges BCMT is providing them "trade secrets, know-how and confidential data or materials." [*Id.*]
- (3) Certain Clontech obligations under the agreement cease if the information becomes public through no fault of Clontech. [¶ 3(a)]
- (4) If there is a breach, "the damage will be substantial, although difficult to quantify, and money damages will not afford an adequate remedy. Therefore . . . BCMT shall have the right to . . . [a] temporary or permanent injunction." [¶ 6]

11. Key provisions of the Material Transfer Agreement include:

- (1) the research material "will only be used [by Clontech] for non-commercial evaluation of the Research Material . . . and [to] determine suitability for potential license arrangement. Any and all other studies or uses are expressly prohibited and may not be pursued by the Recipient *The Research Materials will not be used for commercial purposes*" [¶ 2] (emphasis added).
- (2) "When the Research Project" is completed . . . Recipient will destroy the Research Material and advise BCM of such destruction." [¶ 5]
- (3) "BCM hereby retains and Recipient hereby grants BCM all rights in and to all inventions made through the use of the Research Material. Recipient agrees that it will promptly disclose to BCM all inventions made through the use of the Research Material and will assign such rights to BCM, subject to the right of the Recipient to a non-exclusive license to use the same for research purposes." [¶ 6]

12. Between July 1998 and December 1998, Clontech and Baylor attempted without success to negotiate terms for a license to the Elledge technology.

13. On December 17, 1998 Baylor advised Clontech that the technology would be licensed to a different company.

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DEFENDANT CLONTECH

14. Upon notice that they would not be the licensee, Clontech expressed extreme displeasure. On or about December 18, 1998, in a letter, Kenneth Fong, the Founder and CEO of Clontech, and two other Clontech employees stated to Baylor that Clontech had already begun commercial product development using the Elledge technology.

15. Approximately one year later, Clontech launched its Creator system for rapid subcloning of DNA, and filed patent applications on their system. The Clontech product is similar to the Elledge technology disclosed by Baylor.

16. Upon information and belief, Clontech's Creator system is based upon and makes use of the Elledge trade secrets, including the Elledge technology, and will continue to use the Elledge trade secrets, including the Elledge technology, thereby causing irreparable harm to Baylor and BCMT.

COUNT I - BREACH OF CONTRACT

17. For this cause of action, Baylor and BCMT repeat and adopt all allegations contained in paragraphs 1 through 16 above.

18. Defendant Clontech has breached its contractual obligations (expressed and implied) under the Confidential Disclosure Agreement and Material Transfer Agreement by, *inter alia*, commercially exploiting the Elledge trade secrets, including the Elledge technology.

19. Defendant Clontech has breached its contractual obligations (expressed and implied) under the Confidential Disclosure Agreement and Material Transfer Agreement by, *inter alia*, failing to destroy the Elledge trade secrets upon completion of the evaluation period and for failing to notify Baylor of such destruction.

20. Defendant Clontech has breached its contractual obligations (expressed and implied) under the Confidential Disclosure Agreement and Material Transfer Agreement by,

inter alia, failing to disclose to Baylor all inventions made through the use of the Elledge trade secrets.

21. Defendant Clontech has breached its contractual obligations (expressed and implied) under the Confidential Disclosure Agreement and Material Transfer Agreement by, *inter alia*, failing to assign to Baylor all rights in and to all inventions made through the use of the Elledge trade secrets.

COUNT II - MISAPPROPRIATION OF TRADE SECRETS

22. Paragraphs 1 through 21 are specifically incorporated into this cause of action.

23. Baylor and BCMT are, and at all times mentioned in this petition have been, engaged in an effort to develop and commercialize the technology at issue in this litigation.

24. At the time of Clontech's misappropriation, the Elledge trade secrets, including the Elledge technology were not known to the public or the industry in which they might be used. The Elledge trade secrets, including the Elledge technology were developed at considerable expense to Baylor, and they constituted valuable trade secrets that would give a competitive advantage to anyone commercially exploiting them.

25. Clontech intentionally and wrongfully misappropriated trade secrets from Baylor and BCMT for the purpose of commercially using them.

COUNT III - BREACH OF FIDUCIARY RELATIONSHIP

26. Paragraphs 1 through 25 are specifically incorporated in this cause of action.

27. Clontech undertook a relationship of trust and confidence with Baylor and BCMT whereby Clontech owed Baylor and BCMT fiduciary duties, including duties of good faith and fair dealing, loyalty, and full disclosure to Baylor and BCMT.

28. Clontech has breached its fiduciary duties to Baylor and BCMT by using their confidential information, trade secrets, and materials.

COUNT IV – STATUTORY CLAIM FOR THEFT OF TRADE SECRET

29. Paragraphs 1 through 28 are specifically incorporated in this cause of action.

30. Clontech intentionally and knowingly misappropriated the confidential information, trade secrets, and materials of Baylor and BCMT and adopted them as its own.

31. Pursuant to § 134.003 of Texas Civil Practice & Remedies Code, and § 31.05 of the Texas Penal Code, Clontech should be held liable for theft of trade secrets. Pursuant to § 134.005(b) of Texas Civil Practice & Remedies Code, plaintiffs are also entitled to attorneys' fees and costs.

JURY DEMAND

32. Baylor and BCMT demand a jury trial as to all matters in this action, whether currently pleaded or as may be later pleaded, to which it may be entitled under the Constitution, laws, or statutes of the United States, or any applicable state constitution, law, or statute, or at common law.

PRAYER FOR RELIEF

Wherefore, Baylor and BCMT pray for relief as follows:

(1) Injunctive Relief

Granting a permanent injunction against defendant, its agents, representatives, employees and servants and all persons and entities in concert or participation with it, and

- a. ordering it to immediately turn over to plaintiffs (i) all Elledge trade secrets and derived information in whatever form (including all documents, records, laboratory notebooks, computer disks, files, correspondence, mail, and other materials), and (ii) the Creator system and derived information in whatever form (including all documents, records, laboratory notebooks, computer disks, files, correspondence, mail, and other materials);

- b. ordering that Clontech cease and refrain from (i) using any of the Elledge trade secrets, including the Elledge technology, or any derived information or technology and (ii) using, marketing, selling, distributing or otherwise exploiting the Creator system or any derived information or technology;
- c. ordering that Clontech cease and refrain from engaging in any conduct or activity which has the effect of interfering with terminating or diminishing any of plaintiffs' contracts and/or business relationships with prospective licensees; and
- d. ordering that Clontech cease and refrain from destroying or altering (i) any all Elledge trade secrets, including the Elledge technology, as well as any and all derived information or technology, in whatever form (such as documents, records, laboratory notebooks, computer disks, files, correspondence, mail, and other materials) and (ii) the Creator system and any derived information or technology, in whatever form.

(2) Actual damages in an amount to be determined at trial.

(3) Punitive damages in an amount of at least three times the amount of actual damages awarded;

(4) An equitable order requiring defendant to disgorge to plaintiffs the full amount of all royalties, licensing fees, sales, and profits it has collected or retained in connection with (i) the Elledge trade secrets and any derived information or technology and (ii) the Creator system and any derived information or technology;

(5) An assignment of all right and interest over all data, work product, intellectual property (including, but not limited to all patents and patent applications), personal property, trade secrets which are related to the Elledge trade secrets, the Creator system, or any derived information or technology.

(6) Reasonable and necessary attorneys' fees incurred by plaintiffs in connection with this action, pursuant to Chapter 38 of the Texas Civil Practice & Remedies Code and other applicable law;

(7) Prejudgment and post-judgment interest at the highest rate(s) allowed by law;

(8) Costs of court; and

(9) Such other and further relief that this Court may deem just and proper.

Respectfully submitted,



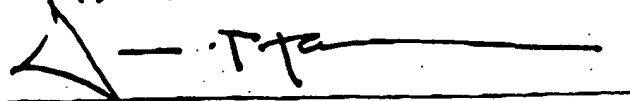
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CERTIFICATE OF SERVICE

I certify that on May 3, 2002, a true and correct copy of the foregoing was served on (i) Glenn A. Ballard, Jr. of Bracewell & Patterson LLP, 711 Louisiana St., Suite 2900, Houston, Texas 77002-2781 (by Fax); (ii) Richard J. Oparil of Patton Boggs LLP, 2550 M Street, NW, Washington, DC 20037 (by Fax) and (iii) Marc R. Labgold, Ph.D. of Patton Boggs LLP, 8484 West Park Drive, Suite 900, McClean, VA 22102 (by Fax).



David P. Blanke